



CALIFORNIA FARM BUREAU FEDERATION

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TO: California Customer Choice Team

RE: Comments of the California Farm Bureau Federation on the Draft Gap Analysis/Choice Action Plan October 2018

I. INTRODUCTION

The California Farm Bureau Federation (“Farm Bureau”) appreciates the opportunity to submit these comments on the Draft Gap Analysis/Choice Action Plan October 2018 (“Gap Analysis”). Farm Bureau has been tracking the evolution of the recent discussions on the changing nature of the role and expectations of the investor-owned utilities (“IOUs”) and customer choice opportunities in the electric sector, recognizing in those discussions that the issues are complex and that solutions are as well. Because Farm Bureau members face increasing levels of regulation in all aspects of their operations, adding further complexities to a necessary input like electric service garners interest. Pressures on time and resources in managing added regulations constrain agricultural customers’ ability to dissect increases in the complexity of electric service and can undermine the ability to apply resulting operational requirements in a practical, cost-effective manner.

As the state's largest farm organization, working to protect family farms and ranches on behalf of its nearly 40,000 members statewide and as part of a nationwide network of more than 5.5 million members, Farm Bureau works with its 53 county Farm Bureaus throughout the state to bring forward the unique issues our members face with managing electric service. Over 400 different crops are grown in the state, reflecting widely diverse electricity needs for the delivery of irrigation water and post-harvest activities on the farm. Additionally, it is typical for agricultural operations to have multiple accounts to meet the necessary irrigation needs of their farms and ranches as well as various operational activities. Farm Bureau members are predominately small businesses, whose owners and managers bear the responsibility for day-to-day operations, blending the various cost inputs to ensure a sustainable business.

As rapid changes to the electric sector are analyzed, an important change to electric service is in the process of implementation -- revised time-of-use ("TOU") periods. Unlike residential customers, non-residential customers have either voluntarily taken or been mandated to take service on time-of-use rates. For decades agricultural customers chose to take service on TOU rate schedules; however, because the existing TOU periods melded well with agriculture's operational constraints and the new periods do not, it is not clear how well they will be able to adapt to the new periods. In either case it is anticipated to create a significant disruption to how their electric service has been managed to date. The rapid penetration of CCAs throughout the IOUs service territories creates another layer of analysis required for customers to understand the impacts of changes to their electric rates. Further complicating the understandability of

rates and how to adjust to them are costs from mandates such as new RPS and related GHG requirements, as well as the anticipated expenditures that will emanate from investments allowed pursuant to SB 901 (Dodd -2018). With multiple pressures on the level of electricity costs and how those costs are packaged into schedules for customers, reframing how to serve electric customers requires the organization of seemingly chaotic inputs.

While the Commission highlighted impacts on residential customers to address topics and issues included in the Gap Analysis, many issues similarly affect non-residential customers. Farm Bureau has selected a few topics to address in detail. The segmentation of the issues in the Gap Analysis provides an effective method to organize the considerations that must be resolved before any different framework for electric service can be contemplated. For these comments Farm Bureau focuses on three of the topics presented: Rate Design, Price Disclosure and Provider of Last Resort, even though many more of the topics presented in the Gap Analysis raise matters that impact service to agricultural customers.

II. RATE DESIGN (PAGE 35 OF GAP ANALYSIS)

The rate design topic poses the question of whether the current IOU rates are structured to send the proper price signals to consumers. Listed are several attributes of proper rate design; however, missing from the list is a recognition that rate structures must be understandable and clear such that customers are able to adapt the rates to

their operations in a workable manner. If a customer is unable to assess the elements of the rate schedule to determine how changes in operation affect the outcome, the risk arises that the customer will be forced to ignore the embedded signals.

Farm Bureau has worked with the utilities over the course of many general rate case rate design phases to balance the various requirements needed to deliver understandable rates that allow customers to realistically manage electric usage in their operations. That balance has been particularly challenging to achieve while transitioning to the new time-of-use periods, as the pricing of structural elements of the rates (demand charges, energy charges) cannot simply be substituted for the new time periods without significant consequences to customers. Adopted and pending decisions recognize the need to thoughtfully transition customers to new rate structures given the current conditions of electric rate evolution. As important as price signals are it is also necessary to advance with caution in making changes too abruptly and severe, particularly with TOU period signals because the optimal periods could change quicker than expected.

Goals associated with untangling rate design to clearly separate the various components of generation, distribution and transmission are confounded by policy driven costs embedded in rates, that may not closely align with one of the various components. For example, the costs associated with public purpose programs, with upcoming wildfire program costs and the DWR bonds dating from the 2001 energy crisis complicate the ability to isolate rates for aligning rate design with incentives such as

supporting BTM resources or revising design of demand charges. Changes to achieve preferred responses to rate design require careful, focused changes to prevent conflicting priorities. Affordability of electric rates should be an overarching goal as the Commission considers future structural changes to utility service. Underlying costs can make electric service seem prohibitive, of course, but rate structures themselves can impact affordability as well.

Technological advancements have been and continue to be a key element in the evolution of electric service and adaptation to customer needs. In many cases effective broadband service is essential for the utilization of new systems that increase electrical efficiency in management of operations. There are many opportunities in the agricultural sector for melding the management of water and electricity usage to move water, but it can depend on the ability to access internet services. Much of rural California has limited and ineffective broadband service that hampers the ability to make use of important management tools.

III. RATE AND PRICE TRANSPARENCY (PAGE 29 OF GAP ANALYSIS)

The Gap Analysis addresses the topic of rate transparency through the lens of residential customers, however, it is a concern for agricultural customers as well. Although a CCA providing service to a local area indicates the savings to types of customers attributable to the localized procurement, the generalized savings estimates make quantification for individual operations difficult to discern. As indicated earlier,

agricultural operations have multiple service accounts which may be on several different rate schedules, further complicating any projections. The general estimates typically provided to the agricultural sector are not refined to a level that allows for a clear comparison of rates.

The elements of each rate schedule, demand and energy charges, each contain a generation component that will factor into any savings offered by a CCA. Such an interplay adds to the challenge to parse out the savings, since agricultural usage is intermittent and seasonal. Detailed review of usage is needed to assess the benefits of a change in service. In Farm Bureau's experience the ability to compare rates has arisen with respect to CCA offerings rather than direct access. In contrast to direct access customers are faced with a decision of whether to accept the default to the CCA provider or to opt out when service is offered.

The IOUs have developed tools to assist agricultural customers to determine the best rate schedule for an application, but such tools do not translate for usage in comparing CCA rates to the incumbent utility. The complexities necessarily associated with rate design do not allow for easy comparisons by customers without assistance from specialized means.

IV. PROVIDER OF LAST RESORT (PAGE 21 OF GAP ANALYSIS)

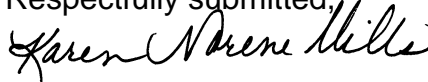
The Provider of Last Resort (POLR) topic broaches the subject of whether IOUs should continue to be the default providers and the process for departing from the model. The concept was raised as part of the discussions during restructuring in the 1990s and it was determined that the best course was to remain with the status quo. Of course, the impacts from customer choice became more limited than anticipated due to the market disruptions.

Farm Bureau considers deviations from the current POLR structure with some trepidation due to the experiences during post-electric restructuring, when there were opportunities for generation providers to focus on distinct segments of electric customers. As a state-wide organization representing agricultural customers, Farm Bureau was approached to consider various efforts to market to agricultural customers with promises of savings. However, in most instances the marketer understood very little about the usage characteristics of agriculture. The experience during that period reflected that entrants for those markets chose to participate without understanding the customer base. Any changes to the POLR model must assure that a framework is developed that requires entrants to demonstrate an understanding of the customer segments to whom they will provide service to prevent unintended consequences when the realities of service arise.

V. CONCLUSION

In whatever manner the discussion and analysis move forward, the examination of the issues needs to retain the interests of the customers as the top tier consideration. With the increasing complexity of rate structures and multiple policy goals embedded in electric service, there is a heightened risk that customers' needs will be overwhelmed by the effort to advance the viability and extension of service providers. Overlaying all aspects of the discussion must be an awareness about the cost attributable to any anticipated changes. There may be options presented that are simply too costly to pursue, requiring rejection in the interest of supporting the customers the electric system was established to benefit.

Respectfully submitted,



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